

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SSO-00 INRE-00 NSCE-00 ICAE-00  
CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03 NSAE-00  
PA-01 SP-02 SS-15 EB-08 TRSE-00 OMB-01 AID-05  
COME-00 DOE-15 SOE-02 OES-07 AGRE-00 STR-07 /108 W  
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O R 271000Z JUN 78  
FM AMEMBASSY ANKARA  
TO SECSTATE WASHDC IMMEDIATE 2427  
INFO AMCONSUL ADANA  
AMEMBASSY ATHENS  
AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMCONSUL ISTANBUL  
AMCONSUL IZMIR  
AMEMBASSY MOSCOW  
AMEMBASSY NICOSIA  
AMEMBASSY PARIS  
USMISSION GENEVA

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USEEC, USOECD

GENEVA FOR MTN

E.O. 11652: N/A  
TAGS: ECON, ETRD, UR, TU  
SUBJECT: TURKISH-SOVIET TALKS ON ECONOMIC COOPERATION

REF: A) ANKARA 3942, B) ANKARA 4604

SUMMARY: THE AGREEMENT IN PRINCIPLE ON TURCO-SOVIET COOPERATION  
REACHED DURING PRIME MINISTER ECEVIT'S TRIP TO MOSCOW APPEARS  
TO REPRESENT A SIGNIFICANT COUP FOR SOVIET POLICY. ON THE  
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BASIS OF PRESS REPORTS OF THIS AGREEMENT, TURKEY WILL BECOME  
DEPENDENT ON THE USSR FOR A PORTION OF ITS ESSENTIAL IMPORT  
REQUIREMENTS, INCREASE ITS TECHNICAL COOPERATION WITH THE  
USSR IN THE FIELDS OF PETROLEUM EXPLORATION, NUCLEAR AND HYDRO-  
ELECTRIC ENERGY GENERATION, AND INCREASE COOPERATION AMONG  
STATE PLANNING AGENCIES. OF LESSER IMPORTANCE ARE AGREEMENTS  
ON SHIPPING AND TOURISM. IN ADDITION, TURKEY WILL HAVE TO

ORIENT A LARGE PART OF EXPORT CAPACITY TOWARD SUPPLYING  
THE SOVIET UNION IN AN EFFORT TO MEET ITS SIDE OF THE  
INCREASED BILATERAL CLEARING ARRANGEMENT. END SUMMARY

1. ACCORDING TO PRESS REPORTS, PRIME MINISTER ECEVIT'S  
VISIT TO MOSCOW PRODUCED AGREEMENT IN PRINCIPLE ON A  
WIDE-RANGING EXPANSION OF TURKISH-SOVIET ECONOMIC COOPERATION.  
DETAILS WILL BE NEGOTIATED AT THE TURCO-SOVIET JOINT  
ECONOMIC COMMITTEE MEETING IN MOSCOW THIS SEPTEMBER.

2. TURKEY AND THE USSR SIGNED A PROTOCOL FOR A THREE-  
YEAR TRADE AGREEMENT WHICH WOULD INCREASE TURKISH-SOVIET  
TRADE BY 430 PERCENT FROM \$162 MILLION IN 1977 TO ABOUT  
\$860 MILLION IN 1981. THIS IS THE SECOND LONG-TERM TRADE  
AGREEMENT TURKEY HAS SIGNED RECENTLY; THE FIRST WAS WITH LIBYA.  
THE AGREEMENT GIVES TURKEY A GUARANTEED MARKET FOR A LARGE  
AMOUNT OF AGRICULTURAL AND MANUFACTURED EXPORTS, ALLOWING  
FOR PLANNED EXPORT EXPANSION, AND MAKES TURKEY DEPENDENT ON  
THE USSR FOR A SIGNIFICANT PERCENTAGE OF ITS ESSENTIAL IMPORTS.

3. THE SOVIET UNION IS REPORTED TO HAVE AGREED TO PROVIDE  
TURKEY WITH 3 MILLION METRIC TONS OF CRUDE PETROLEUM EACH  
YEAR FROM 1979 TO 1981 AND AN ADDITIONAL ONE MILLION TONS  
DURING 1978. THREE MILLION TONS REPRESENTS ABOUT 25 PERCENT  
OF TURKEY'S 1977 CRUDE IMPORTS.

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4. IN ADDITION TO CRUDE PETROLEUM, THE USSR WILL ALSO  
PROVIDE TURKEY WITH REFINED PETROLEUM PRODUCTS (FUEL-OIL AND  
DIESEL-OIL), IRON AND STEEL, FERTILIZERS, CHEMICALS, AND  
COKE. TURKEY'S CURRENT FOREIGN EXCHANGE SHORTAGE HAS LED TO  
REDUCED IMPORTS OF EACH OF THESE KEY PRODUCTS. USSR  
PROVISION OF ANY OF THESE COMMODITIES UNDER THE BILATERAL  
CLEARING ARRANGEMENT WILL GREATLY REDUCE A NUMBER OF IMPORT  
BOTTLENECKS CURRENTLY IMPEDING TURKISH INDUSTRIAL  
PRODUCTION.

5. TURKEY WILL PAY FOR THESE IMPORTS BY PROVIDING WHEAT,  
WOLFRAM, LIVESTOCK, TEXTILES, TRUCKS, BUSES, AND A VARIETY  
OF CONSUMPTION GOODS TO THE USSR. "MILLIYET" REPORTS, HOWEVER,  
THAT WHILE THE SOVIETS WERE PREPARED TO BUY AS MUCH WHEAT  
AND WOLFRAM AS TURKEY COULD SUPPLY, THEY APPARENTLY WERE NOT  
INTERESTED IN TURKEY'S OFFER TO SELL LEATHER GOODS AND TEXTILES.

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6. EMBASSY BELIEVES THAT THE 500 PERCENT INCREASE IN  
TURKISH EXPORTS TO THE USSR NEEDED TO REACH ITS HALF OF  
THE CLEARING AGREEMENT (\$430 MILLION) WILL NOT BE EASY  
TO ACHIEVE. IF TURKEY WERE TO EXPORT ITS ENTIRE 1.5 MILLION  
TON WHEAT SURPLUS TO THE USSR, THE TOTAL VALUE WOULD BE LESS  
THAN \$200 MILLION AT CURRENT PRICES. IN ADDITION, UNFAVORABLE  
WEATHER CONDITIONS COULD REDUCE OR ELIMINATE TURKEY'S WHEAT  
SURPLUS IN FUTURE YEARS. ALTHOUGH TURKEY CURRENTLY HAS THE  
LARGEST POPULATION OF LIVESTOCK IN EUROPE AND THE MIDDLE EAST,  
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PRODUCTIVITY IS QUITE LOW AND THE WORLD BANK PROJECTS THAT  
TURKEY WILL BE IMPORTING 30 PERCENT OF ITS MILK AND MEAT  
REQUIREMENTS BY 1985. GIVEN THESE TRENDS, INCREASED LIVESTOCK  
EXPORTS TO THE USSR WOULD ONLY ACCELERATE DEPLETION OF TURKEY'S  
LIVESTOCK HERDS. TURKEY HAS NOT YET BEGUN PRODUCING WOLFRAM

AND ITS INITIAL EXPORTS ARE UNLIKELY TO BE VERY LARGE. IF THE USSR'S REPORTED RELUCTANCE TO ACCEPT TURKISH TEXTILES IS TRUE, IT WOULD TAKE SEVERAL YEARS FOR TURKEY TO BUILD UP NECESSARY EXPORT CAPACITY IN OTHER MANUFACTURED GOODS SECTORS TO FILL UP THE AGREEMENT. (IN 1977 TURKEY'S TOTAL NON-TEXTILE MANUFACTURED EXPORTS WERE ONLY \$325 MILLION). THEREFORE, TURKEY MAY HAVE A SIGNIFICANT DEFICIT IN ITS CLEARING ARRANGEMENT BY 1981. ALTHOUGH THE ARRANGEMENT CALLS FOR COVERING THIS GAP WITH FOREIGN EXCHANGE AT THE END OF THE THREE-YEAR PERIOD, THE USSR HAS DECLARED ITS READINESS TO BUY MORE TURKISH GOODS TO COVER THE GAP. THUS TURKEY MAY FIND AN INCREASING AMOUNT OF EXPORTABLE GOODS MORTGAGED TO MEET THE SOVIET CLEARING ARRANGEMENT.

7. IN ADDITION TO TRADE, SEVERAL OTHER KINDS OF ECONOMIC COOPERATION WERE PLANNED. THE ECONOMIC TALKS WERE SAID TO HAVE REACHED PRELIMINARY AGREEMENT ON SOVIET ASSISTANCE TO TURKEY WITH OIL PROSPECTING EQUIPMENT AND TECHNOLOGY. OIL EXPLORATION WOULD APPARENTLY BE CARRIED OUT JOINTLY. THE AGREEMENT IN PRINCIPLE ALSO CALLS FOR INCREASED SOVIET MATERIAL AND TECHNICAL ASSISTANCE IN DEVELOPING TURKISH NUCLEAR REACTORS AND HYDROELECTRIC PROJECTS. COOPERATION AND COORDINATION WOULD BE IMPROVED BETWEEN RESPECTIVE STATE PLANNING AGENCIES. UNDER A TOURISM COOPERATION AGREEMENT, THE USSR WOULD INCREASE ITS TOURISM TO TURKEY AND ASSIST IN DEVELOPMENT OF TOURIST CENTERS (EMBASSY IS SKEPTICAL ABOUT SOVIET CITIZENS BEING ALLOWED TO VISIT TURKEY.)

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8. IN THE AREA OF MARITIME TRANSPORT, TRIANGULAR SERVICE WOULD BEGIN BETWEEN THE BLACK SEA PORTS OF TRABZON, TURKEY; VARNA, BULGARIA; AND ODESSA, USSR. IN ADDITION, TURKISH EXPORTS TO SCANDINAVIA WOULD BE TRANSPORTED THROUGH THE USSR VIA THE RIVERS DON AND VOLGA.

9. COMMENT: OUR PRELIMINARY ANALYSIS OF THE ECONOMIC ASPECTS OF THE ECEVIT VISIT INDICATES THAT THE USSR WENT OUT OF ITS WAY TO MEET TURKEY'S URGENT NEEDS WITHOUT ASKING FOR VERY MUCH IN RETURN. THE ONE-SIDED NATURE OF THIS RELATIONSHIP WILL, OVER TIME, INCREASE TURKEY'S DEPENDENCE ON THE USSR AS A SUPPLIER OF ITS ESSENTIAL IMPORTS. THE AGREEMENT CALLING FOR INCREASED COOPERATION BETWEEN STATE PLANNING AGENCIES WILL ALSO REINFORCE EXISTING TURKISH TENDENCIES TO BASE ECONOMIC POLICIES ON STATE TRADING. TURKEY'S CURRENT FOREIGN EXCHANGE SHORTAGE IS ALSO A KEY FACTOR IN FORCING TURKEY TO INCREASE ITS PARTICIPATION IN BILATERAL CLEARING ARRANGEMENTS. AS TURKISH ECONOMIC DEPENDENCE ON THE USSR GROWS, OVER TIME, AN AFFINITY OF INTERESTS WILL PROBABLY DEVELOP IN OTHER AREAS. THE SOVIETS SHOULD CONSIDER THIS

ECONOMIC AGREEMENT TO BE A MAJOR COUP.  
SPIERS

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## Message Attributes

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